

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID Number:**

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UIL 4945.04-04

## LEGEND

X= Program name  
Y= Geographic area  
n = Amount of grant  
p = Total awards amount  
q = number of grants

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated July 19, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate a grant-making program called X. You will award grants to individuals who are in need of financial help to realize their educational and personal goals in life.

The grants will consist of scholarships to children ages twelve to eighteen who struggle with addiction and emotional problems or mental illness. Although bright and capable, these children require special educational and therapeutic settings to continue their education. These individuals must seek to attend either an accredited alternative day school with special services in Y, accredited therapeutic boarding schools in Y or other parts of the country, or a residential treatment center with an accredited educational program in Y or other parts of the country.

The scholarships will help defray or totally meet the cost of tuition, transportation, room and board and any clinical help required by the child. Scholarship funds could either be forwarded to the programs on a month by month basis in the case of residential treatment centers or on a yearly term basis in the case of all other schools. You expect to award q scholarships each year, with a value of \$n. The total amount of scholarship funds you will award each year would not exceed \$p.

Information regarding your scholarship program will be transmitted by letter or other forms of communication to organizations and professionals, including various educational consultants and therapists, familiar with programs that attract your target population. Selection of a particular applicant will be the result of a unanimous decision by your board of directors.

The screening process for applicants will consist of consideration by your board of an extensive written application completed by the applicant child and a parent or guardian, and may include a personal interview or telephone interview with the child and at least one parent or guardian.

The written application will include information about the schools previously attended by the child, the grades obtained in those schools, the obstacles faced by the child, previous therapeutic or addiction treatment received by the child, and information regarding the program or programs the child wishes to attend. The application will also request a description of the clinical or emotional and behavior issues that affect the child. These issues include depression, anxiety, low self-esteem, bipolar symptoms, ADD/ADHD, oppositional defiant behavior, Obsessive Compulsive Disorder, trauma/abuse, relationship issues, eating disorders, alcohol use, drug use, self harm, suicide attempts, runaway behavior, sexual activity, angry/resentful behavior, associating with a negative peer group, being withdrawn, and having poor grades. In addition, the application will require the most recent transcript from the child's current or most recent school and a written recommendation from the child's family doctor, therapist, school counselor or drug counselor. Finally, the application will require the applicant to submit financial information regarding his/her family's financial situation. The questions regarding the family's financial situation will include the adjusted gross income of the family according to Form 1040, the yearly untaxed income and benefits of the family, total cash, checking, savings and cash value of stocks, the net worth of any business or property held and the number of family members living in the household.

After reviewing all incoming applications, your board of directors will interview those applicants and their parents or guardians that they believe most closely match the scholarship criteria. Selection of a particular applicant child will be the result of a unanimous decision by your board of directors. Any grant approval will be conditional upon the applicant child actually being accepted for enrollment in his/her chosen program.

The selection process attempts to ensure that the child is in need of the program, the program is well suited to the child, the child has a high probability for success in the program and the family cannot afford such a program or at least needs some financial help to enroll in the program.

The students are selected based on an objective and non-biased rating scale. The main criteria are as follows: 1) Does the applicant's emotional or addiction issues prevent him/her from succeeding in a traditional school setting? 2) What is the family's financial situation? 3) Has the family exhausted all low cost or no cost alternatives? 4) How well matched is the applicant and his or her issues and strengths, with the proposed program's objectives and specialties? 5) How does the applicant's educational record prior to onset of his or her difficulties compare to his or her current education progress?

The board members, all of whom are on the selection committee, will rate each criterion for each applicant. The scores will be averaged with higher priority for awarding a scholarship given to higher scores.

None of the board members are employed by or associated with any of the programs that will be considered for scholarships. No members of the board or their relatives will be eligible to receive an award.

Once the child is approved for a scholarship and accepted into his/her chosen program, the funds shall be paid directly to the program on the child's behalf. The foundation shall maintain monthly contact with the child's family and with the program by telephone or email to obtain updates on the child's progress. Part of the approval process will include an agreement signed by

the child and his/her parents agreeing to the release of any relevant information about the child's progress in the program.

You will maintain records including:

- Information used to evaluate the qualifications of potential grantees;
- Identification of the grantees (including any relationship of a grantee to the foundation);
- The amount and purpose of each grant;
- All grantee reports and other follow-up data obtained in administering the grant program.

A scholarship recipient must participate fully in all activities provided by the scholarship funded program, including educational, recreational, therapeutic and other activities, in order to continue to receive funding from the foundation. Passing grades in all subjects offered as part of the program also will be a requirement. All reports from the child's family and the scholarship funded program shall be reviewed by your entire board of directors.

The funds will be paid directly to the program that the student has enrolled in. Should the child stop attending the chosen program or be suspended from the program prior to the scholarship funds being exhausted, the remaining scholarship amount shall be forfeited to the foundation. Forfeiture of the scholarship funds will not preclude the child and his/her family from making another application for a grant under the same terms and conditions as the original application.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute “taxable expenditures” within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are ‘scholarship or fellowship’ grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations